



City of San Diego FY 2013-2017 Five-Year Financial Outlook

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October 19, 2011





City of San Diego FY 2013-2017 Five-Year Financial Outlook

Economy

Positive:

- Moderate improvement in consumer spending (Sales Tax)
- Moderate improvement in hotel visitor activity (TOT)
- Increase in local home sales

Negative:

- Downturn in equity markets
- High unemployment rate
- Decrease in consumer confidence
- Decline in local median home prices

Economic recovery remains uncertain



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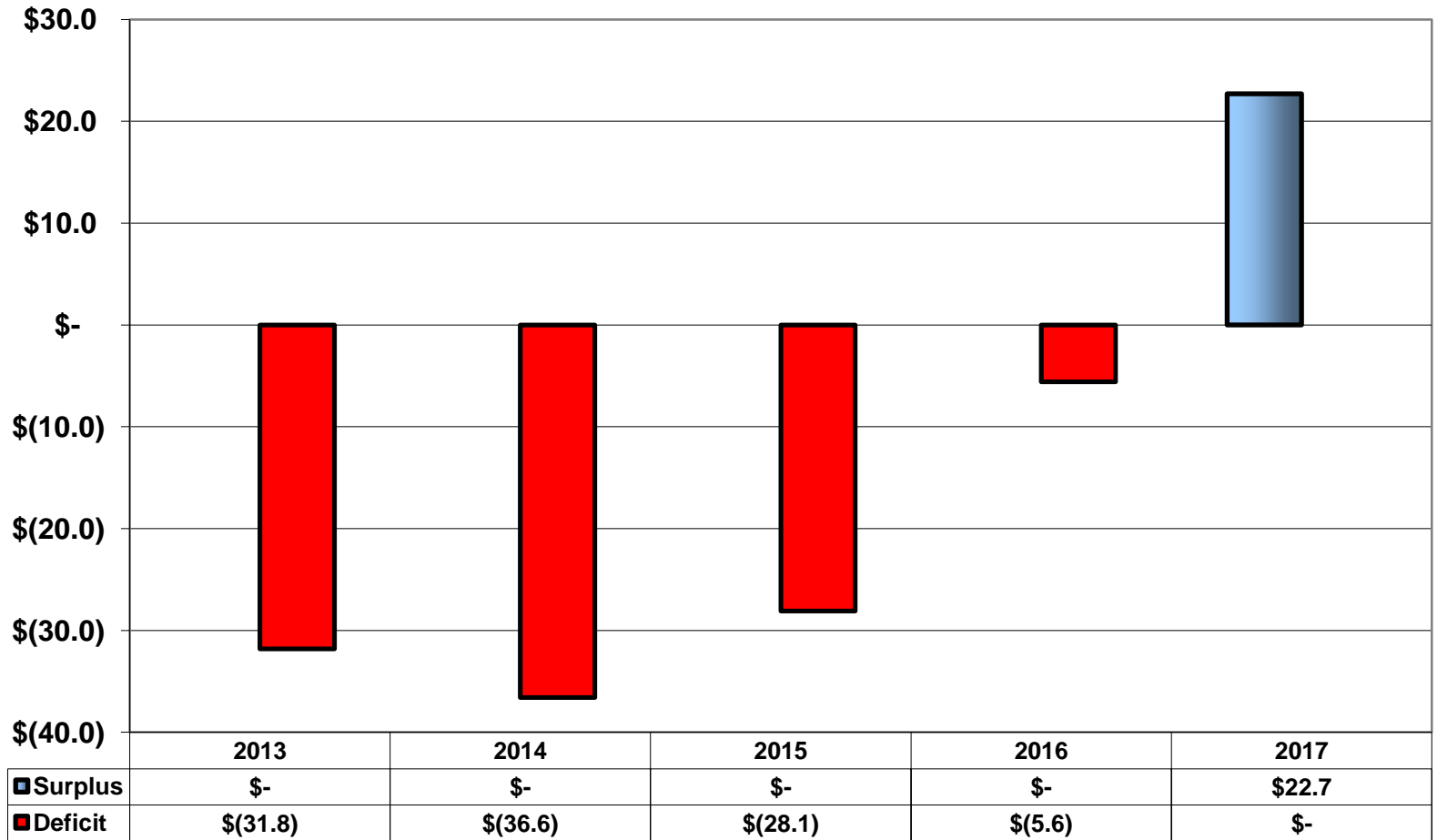
Forecast Assumptions

- More gradual economic recovery
- Inflation at 5% (utilities), 1% (contracts/supplies)
- 8% General Fund reserve
- Public Liability/Workers' Comp/Long Term Disability contributions per revised reserve policy
- 6/30/10 ARC valuation/estimates
- Minimal departmental additions
- \$100 million/year deferred capital bond issuances
- Contractually required step increases
- No efficiency savings



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FY 2013-2017 Surplus/(Deficit)





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April 2011 - October 2011 Outlook Change

FY 2013 Deficit - April 2011	\$ (41.1)
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Revenue Changes

Sales Tax Revenue	\$ 10.0
TOT Revenue	\$ 6.8
Motor Vehicle License Fee	\$ (3.4)
Total Revenue Change	\$ 13.4

Expense Changes

Reduction in General Fund Reserve Contribution	\$ (6.1)
Park & Rec./Library Service Restorations	\$ 6.1
Completion of Fire Alert System	\$ 2.6
Contractually Required Step Increases	\$ 3.0
Reduction in Booking Fees	\$ (2.0)
Fuel Cost Increase	\$ 1.2
Other Expenditure Adjustments	\$ (0.7)
Total Expense Change	\$ 4.1
Total Deficit Change	\$ 9.3
FY 2013 Deficit - October 2011	\$ (31.8)



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FY 2013 Major Revenue Assumptions

Property Tax

- **1.0% growth** – decrease from prior forecast, mixed indicators, and slower recovery in housing market.

Sales Tax

- **4.5% growth** – continued growth in taxable sales from general retail, food, and business-to-business, while construction continues flat or negative.

Transient Occupancy Tax

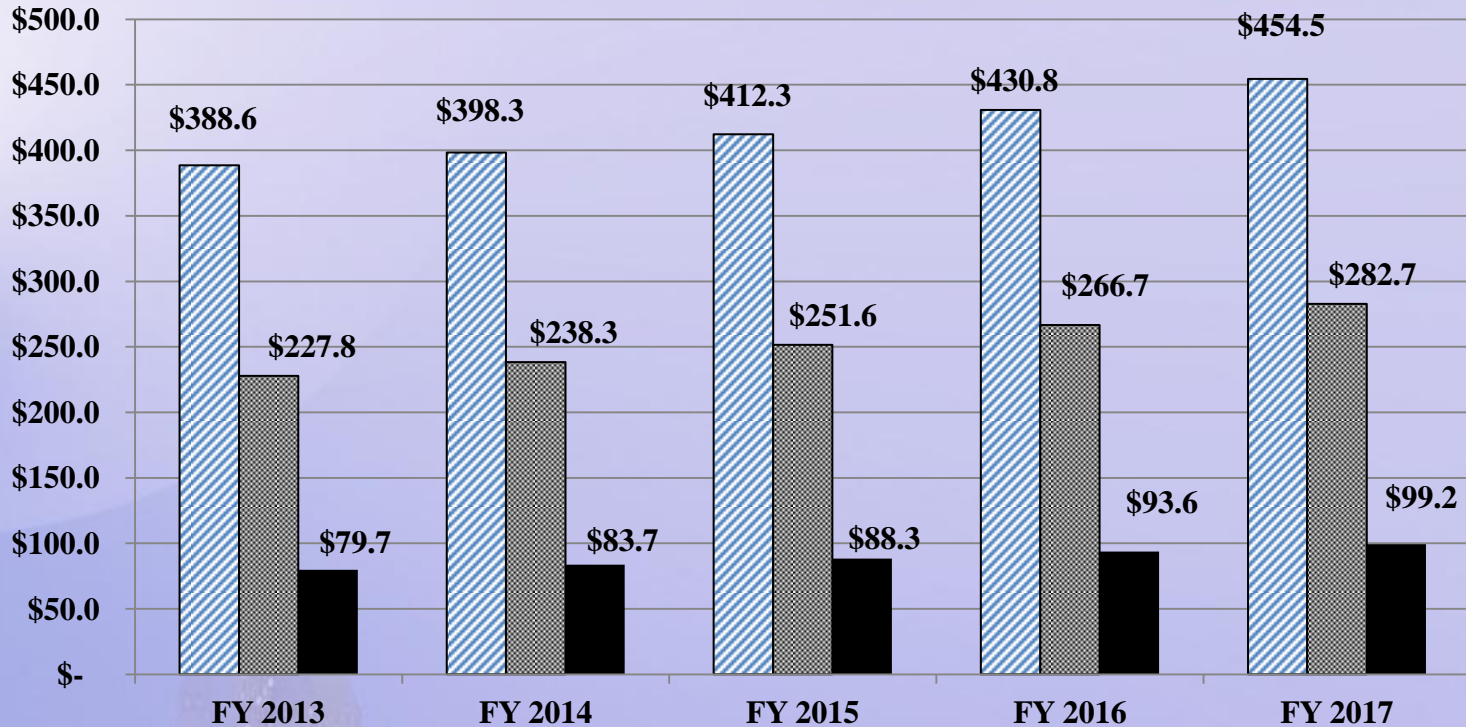
- **4.5% growth** – business and tourism spending increases in addition to projected occupancy and room rate increases.



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Major Revenue Growth

(\$ in millions)



▨ Property Tax ▨ Sales Tax ■ Transient Occupancy Tax

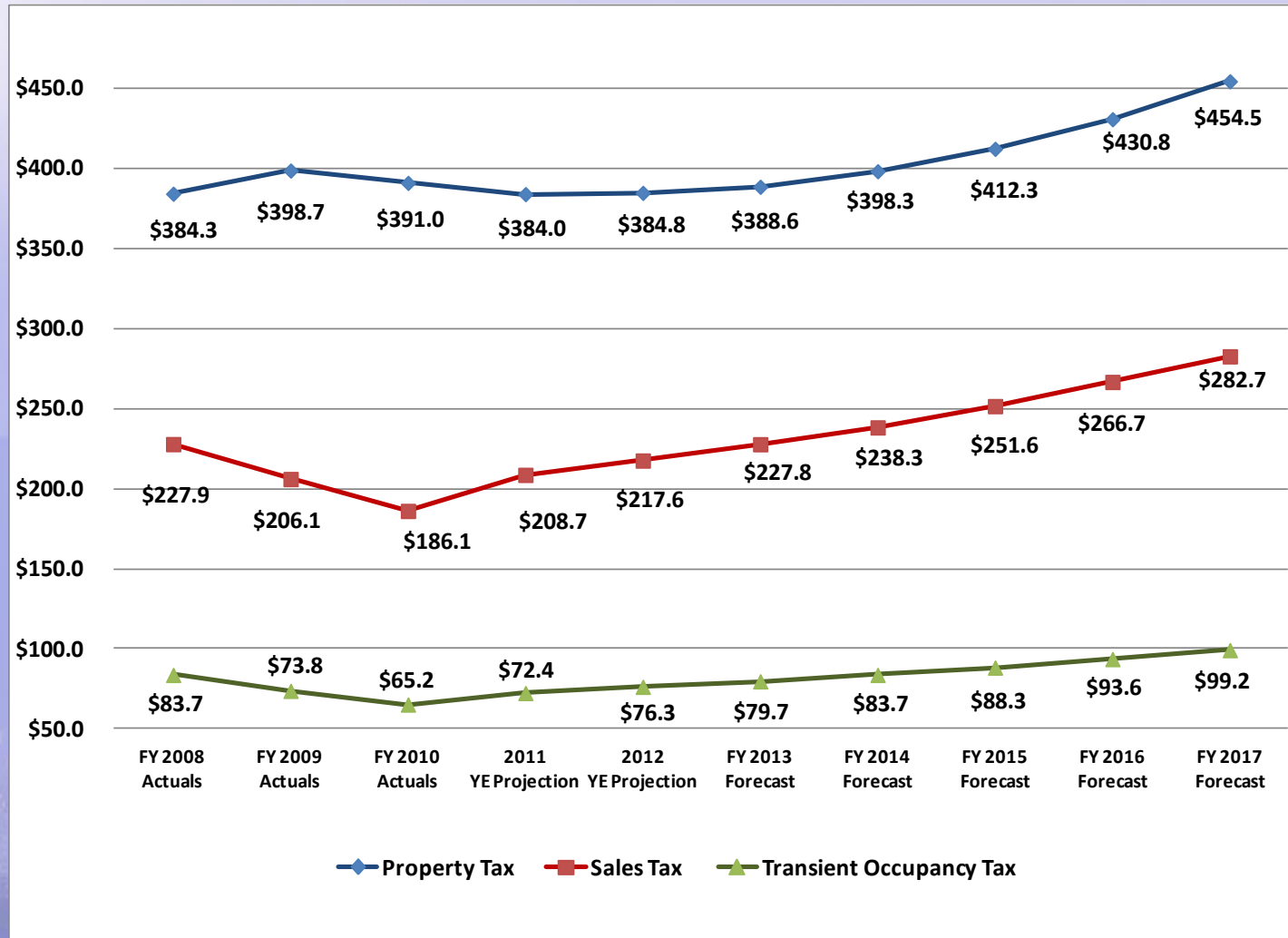
Major Revenue Growth Rates	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Property Tax	1.0%	2.5%	3.5%	4.5%	5.5%
Sales Tax	4.5%	5.0%	5.5%	6.0%	6.0%
Transient Occupancy Tax	4.5%	5.0%	5.5%	6.0%	6.0%



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Major General Fund Revenues FY 2008 – 2017

(in millions)





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Expenditures

- 6/30/10 ARC valuation/estimates
- Fuel cost adjustment
- Contractually required step increases
- Deferred capital bonding
- Civic Center building maintenance/capital improvements



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Operational Efficiencies

- Managed competition
 - Fleet maintenance, street sweeping, public utilities customer service, street and sidewalk maintenance, landfill operations
- IT outsourcing
- Reorganizations, other
- Savings TBD
 - Fleet maintenance savings: \$4.4 million annually



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Scenarios

(in millions)

FY 2013

FY 2014

FY 2015

FY 2016

FY 2017

Optimistic Scenario	\$	(22.9)	\$	(18.8)	\$	(0.5)	\$	33.2	\$	73.9
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Outlook	\$	(31.8)	\$	(36.6)	\$	(28.1)	\$	(5.6)	\$	22.7
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Pessimistic Scenario	\$	(40.5)	\$	(54.1)	\$	(55.1)	\$	(42.8)	\$	(25.9)
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Conclusion

- Projected FY 2013 deficit of \$31.8 million
- Still uncertain economy
- Operational efficiencies, updated ARC valuation/estimates, convention center expansion and impacts
- FY 2013 service reductions likely
- Ongoing reductions needed to solve structural budget deficit



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Questions?